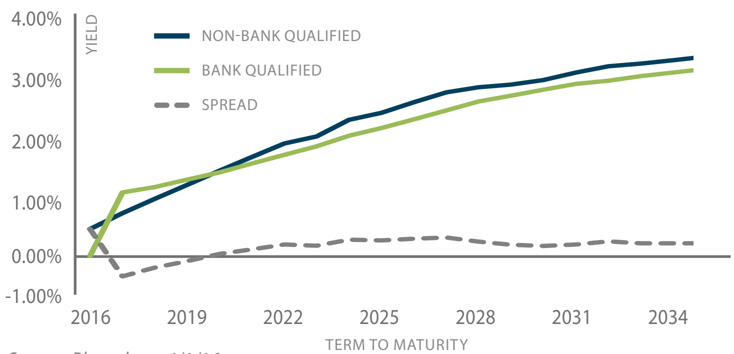
PUBLIC FINANCE MARKET UPDATE

Prepared by PMA Securities, Inc.

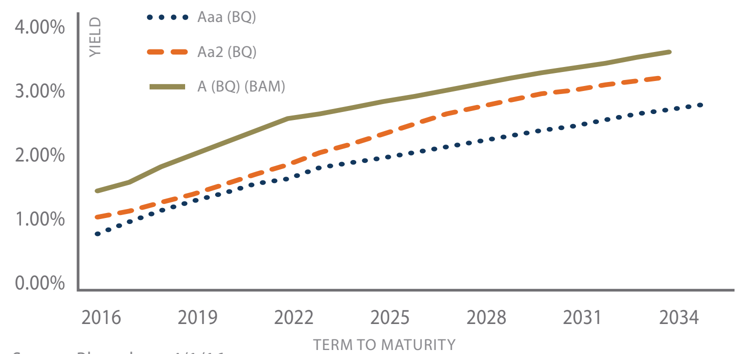
APRIL 2016

BQ vs. Non-BQ (Aa2/AA)



Source: Bloomberg 4/1/16

AAA vs. AA vs. A (BQ)



Source: Bloomberg 4/1/16

RECENT NEWS

Relative Value in the Municipal Market

The graph directly above shows the benefit of Bank-Qualified (BQ) rates over Non Bank-Qualified (NBQ) rates. Recent trends have shown the BQ benefit increasing on the long end of the yield curve after approximately five years. This month's data is no exception. The graph above-right reflects the value of credit strength and shows that credit spreads widen with lower-rated credits. Additionally, after a slight uptick in interest rates in February, March saw a downturn in interest rates. Finally, the Federal Reserve revealed final rule changes on the treatment of municipal bonds as high-quality liquid assets by large financial institutions. While the change was an improvement from the original rule introduced in September 2014, many market participants do not believe the rule change went far enough.

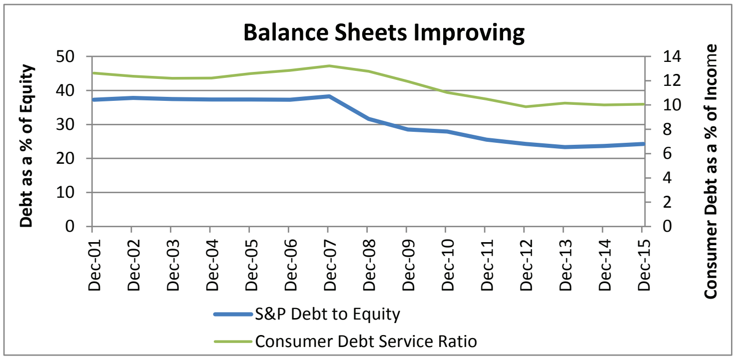
Source: PMA Securities, Inc., Bloomberg

FEATURED ECONOMIC INDICATOR

Market Recovery Fades Recession Fears

Stock prices started the year on a very weak note and some market participants believed this indicated a rising risk of recession this year. With most major U.S. indexes now positive year-to-date, such fears appear unfounded. We believe that healthy balance sheets for both large companies and U.S. consumers indicate that the domestic economy remains on firm ground. Certainly risks remain related to low commodity prices and pressure on manufacturing caused by a strong dollar. The market will be watching first quarter earnings reports closely in the coming weeks, but improving balance sheets should provide a cushion against external risks.

Source: Financial Times, Prudent Man Advisors



Source: Bloomberg

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Core CPI (YoY)	03/16/16	FEB	2.2%	2.3%	2.2%
Chicago Fed National Activity Index	03/21/16	FEB	0.25	-0.29	0.41 (R)
Existing Home Sales	03/21/16	FEB	5.31M	5.08M	5.47M
New Home Sales	03/23/16	FEB	510K	512K	502K (R)
Durable Goods Orders Ex. Transportation (MoM)	03/24/16	FEB	-0.3%	-1.0%	1.2% (R)
GDP Annualized (QoQ)	03/25/16	4Q T	1.0%	1.4%	1.0%
Consumer Confidence	03/29/16	MAR	94.0	96.2	94.0 (R)
Change in Nonfarm Payrolls	04/01/16	MAR	205K	215K	245K
Unemployment Rate	04/01/16	MAR	4.9%	5.0%	4.9%

Source: Bloomberg Finance L.P., 4/1/16

Contact Information

ROBERT E. LEWIS
Senior Vice President, Managing Director–Public Finance
630.657.6445 | rlewis@pmanetwork.com

TAMMIE S. BECKWITH SCHALLMO
Senior Vice President, Managing Director–Public Finance
630.657.6446 | tammie@pmanetwork.com

ANDREW KIM
Director–Public Finance
630.657.6449 | akim@pmanetwork.com

PMA Securities, Inc. | 2135 CityGate Lane, 7th Floor | Naperville, IL 60563